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march 1985

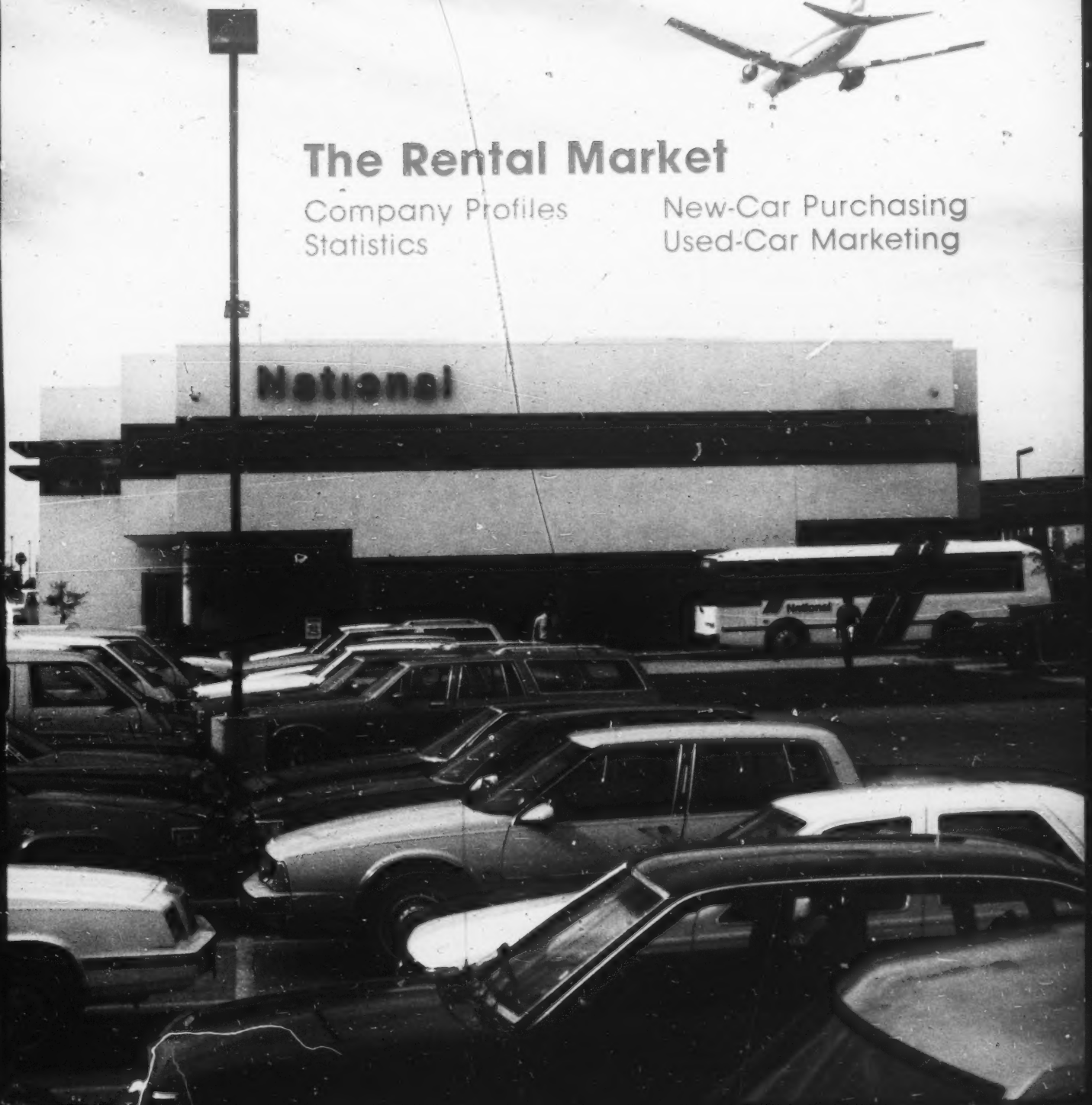
automotive FLEET

THE MANAGEMENT MAGAZINE FOR CAR AND LIGHT TRUCK FLEET OPERATORS

The Rental Market

Company Profiles
Statistics

New-Car Purchasing
Used-Car Marketing



MARCH 1985 VOL. 24, NO. 5

automotive FLEET

THE MANAGEMENT MAGAZINE FOR CAR AND LIGHT TRUCK FLEET OPERATORS

Influencing over 3.4 million cars and 1.6 million light trucks and vans in leasing, rental, business, government, taxi, police, utility, and driving schools.

FEATURES

Buying the Used Rental Car p. 21

Purchasing Cars for Daily Rental p. 27

Insurance-Replacement: Daily Rental's "Invisible" Segment p. 33

Controlling Car-Rental Costs Through Negotiation p. 38

Second-Tier Rental Firms Fight for Market Share p. 43

The Competitive International Daily-Rental Market p. 44

U.S. Daily-Rental Market Profile p. 50

Computerizing the Rental Franchise p. 53

Rental-Fleet Financing from A Firm Who Knows the Daily-Rental Business p. 59

p. 21

p. 27

p. 53

AALA's Sid Rose Will Step Down p. 62

Survey Finds Increase in Personal-Use Charges Reported as Income p. 85

DEPARTMENTS

Calendar	6
Gas Prices	6
Letters	11
Industry News	14
Hotline	19
Personnel Personals	74
Lease/Rental Scene	82
Light-Truck and Van News	84
Used-Car Prices	88
New Products	92
Advertisers' Index	93
Editorial	94

On our cover: National's office near Los Angeles airport exemplifies recent industry moves toward expensive airport-adjacent locations, shuttle fleets, and computerization.

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Calendar

MARCH

10-13 — American Automotive Leasing Association Convention, Americana Canyon Hotel, Palm Springs, CA.

13-15 — Leasing: The Creative Financing Alternative, seminar offered by Amembal & Isom, Detroit; for information on seminars in other cities: (801) 484-8555.

18 — Residual Value Insurance Conference, *Leasing Digest*, Plaza Hotel, New York City, information: (212) 227-2860.

19-22 — Foundations of Leasing, seminars offered by National Vehicle Leasing Association, East Elmhurst, NY; information: (213) 477-4287.

20-24 — American Car Rental Association Convention, Colonial Williamsburg Foundation, Williamsburg, VA; information: (202) 347-2370.

APRIL

12-14 — National Vehicle Leasing Association certification programs, San Francisco, CA; information: (213) 477-4287.

15-18 — National Association of Fleet Administrators Automotive Systems and Maintenance Technologies course, San Francisco Hilton and Tower, San Francisco, CA; for dates and courses in other cities: (212) 689-3200.

25-28 — Association for Commuter Transportation Conference, Toronto, Canada.

MAY

1-5 — National Vehicle Leasing Association Convention, Broadmoor Hotel, Colorado Springs, CO.

29-June 2 — Automotive Fleet & Leasing Association Convention, Westin Copley Plaza, Boston.

Gas Prices

City	UNLEADED Cost Per Gallon Unleaded Full-Serve	Self-Serve
Anchorage, AK	142.6	108.9
Flagstaff, AZ	158.5	121.0
Marysville, CA	157.4	119.9
Fort Morgan, CO	136.5	102.4
Willimantic, CT	144.4	134.4
Key West, FL	147.9	125.9
Honolulu, HI	162.1	147.6
Worcester, MA	114.9	103.4
Springfield, MO	112.9	98.4
Las Vegas, NV	142.4	118.0
Cleveland, OH	128.2	102.6
Tulsa, OK	118.6	98.6
Bellaire, TX	134.4	98.4
Yakima, WA	159.9	124.9
Milwaukee, WI	139.4	109.7

Survey conducted during the first five working days of February, 1985.
Supplied by Runzheimer and Company, Inc. Runzheimer Park, Rochester, WI.

Controlling Car Rental Costs through Negotiation

Fleets regularly rent cars for any number of reasons: a vehicle has broken down on the road; a vehicle is undergoing routine maintenance or repair due to an accident or malfunction; an ordered new vehicle does not arrive according to schedule; an employee travels by air. Put as fleet managers, you should not overlook the opportunity to control car rental costs by negotiating rates with car rental companies. This is particularly true for fleets where employees make their own car rental arrangements. As fleet managers, you will find that few car rental companies are not amenable to discussions that lead to reduced contract rates.

A recent *Runzheimer Reports* minisurvey of 30 fleet managers across the United States showed that 37 percent "arrange for car rentals as a part of their job responsibility." Of the 63 percent who do not handle car rentals, roughly one-fourth allow drivers and travelers to make their own arrangements. It may be time to reassess your company's policy — or so says this Runzheimer report:

Although your car rental volume contributes significantly to your leverage in the negotiation process, many other factors can enter into the bargaining. At the outset, you should be aware of the following unique characteristics of the car rental business because they can have a significant bearing on the rate policies of the rental companies:

- Each of the major rental companies covers most American cities, so a single rental firm can often bid for all your business.
- All car rental companies are actually involved in two enterprises: the first, of course, is renting cars, and the second is selling used cars. Dependent on the health of the used car market, success with the second enterprise influences rental rates as well as the rental firm's profitability.
- Demand for rental cars is more heavily concentrated in the midweek than any other travel service. This occurs because the bulk of the demand is related to business travel, and many rented cars are driven for one-day trips.
- All car rental companies have, to a lesser or greater extent, a franchise system that can restrict latitude in rate-setting for some cities.

Prenegotiation Preparations

Before contacting the car rental company's sales department, you should assemble information concerning your past and current rental activity and needs. Such information should include:

1. Total car rental expenses (by year and season).
2. The cities where most of your rental activity occurs.
3. The approximate number of travelers who rent cars.
4. The minimum, maximum, and average expense of your transactions.

Additional information on the following items can be helpful:

1. The approximate percentage of your car rental business that goes to each supplier.
2. Your rental activity by day of the week and by frequency of weekend use.
3. The classes of cars (compact, intermediate, full-size, etc.) which your drivers typically rent.

In an exclusive interview, Joseph Vittoria — president and chief operating officer of Avis — explained how his company arrives at corporate rates. "We produce rates for a corporate account through a computer program," Vittoria said. "Our sales people don't just go to an account, ask its volume and quote a rate of $35 a day.

"They want information, such as where the company rents, what types of cars it rents, whether it rents in the same city where it's located, what sort of mileage the drivers accumulate. The information is fed into the computer, which then tells us, based on our parameters, to give a rate of $35 a day. We can offer the account $34 a day nationwide and also give it $32 a day in X city, V city, and Y city —

". . .rental firms are eager to enter into formal relationships. . ."

all told to us by the computer."

Negotiation is all important. Contact the corporate sales department, not a rental location or reservations office of the car rental firm. Sales representatives will set up an appointment after they are satisfied that your volume justifies a negotiating session.

In some cases, an agreement can be concluded by phone, but a substantial volume generally requires a meeting. In the table accompanying this article, the "Negotiate Corporate Rates" column specifies the approach taken by car rental firms to establish rental rates with corporate accounts. Of those which provided us information, we should note, in particular, Holiday Payless and Alamo, which represent a new rate approach — the flat corporate rate — designed to attract small and medium-size corporations. Unless otherwise noted, all other listed car rental companies negotiate with individual accounts, most often on the basis of volume as represented by the Ajax "Preferred Commercial Agreement", which specifies that "corporate rates are offered based upon projected annual car rental expenditures."

Car rental companies, explains a spokesman for Budget Rent ACar, often categorize propositions as:

•*Primary.* Your organization will commit to directing 80 percent of its rental business to one supplier.

•*Co-supplier.* You will split your business between two competitors.

•*Secondary.* You promise to give the car rental company up to 20 percent of your total volume.

Under most circumstances, the agreed upon rate, based on a specific dollar volume, proves most favorable for a primary agreement and least favorable for a secondary. However, whether a car rental company follows this rule of thumb depends partly on the "foot-in-the-door factor" — it may offer unusually low rates to increase its share of a given market. Thus, most car rental companies are willing to negotiate with companies on an individual basis.

Car rental companies are eager to enter into formal relationships with corporations. While your company's car rental volume may be insufficient to warrant a special rate agreement, making contact may result in preferential discounts designed to reward your loyalty.

Any special characteristics of your volume that you can bring to the bargaining table (e.g., heavy weekend renting or off-season renting in vacation areas) may affect the final rate agreed to by the supplier.

Each car rental company has different policies on corporate rates; some are less flexible than others.

In addition, fleet managers who turn to a travel agency to handle car rentals, as did one of our survey respondents, should be aware that at least one car rental company (Dollar) grants selected travel agencies the right to offer preferential rates to the agents' corporate accounts, regardless of a corporation's volume.

In sum, compare a number of rental companies' rate proposals, whether dealing directly with car rental firms or going through travel agents. And if you commit to giving a rental firm preferred status based on these factors, you will usually receive lower bills.

How One Company Divides Its Rental Pie

When John Pughe of the giant Allied Corp takes a cross-country business trip, he often shares his airport rental car with businesspeople from two or three other large national firms. At rental's end, the executives split the car's cost according to the rate their firms have previously negotiated with the rent-a-car company. And in doing so, Pughe is able to see exactly how Allied's cost compares.

"If I find that a smaller firm is getting a lower rate, I'll go back to the rental company and complain, 'XYZ Corp. is only paying this much. How come?' " Pughe says. While the rent-a-car company won't always renegotiate, at least it knows that Allied is watching — and looking out for the bottom line.

Headquartered in Morristown, NJ, Allied employs more than 100,000 workers worldwide, recording annual sales in the neighborhood of $12 billion. With separate divisions specializing in petroleum, chemicals, electronics, aerospace, and automotive supplies, the conglomerate uses its size to negotiate "economies of scale" with each of three major car-rental firms: Hertz, Avis, and National.

"Basically, we negotiate a fixed daily-rental charge for intermediate-sized cars," says Pughe, Allied's corporate director for material resources. "Once the employee is at the airport, he or she is free to rent from either Hertz, Avis, or National. We do recommend that they select the intermediate-car offered by whichever company they choose."

Allied's rental business is divided about equally among the three majors, Pughe says. Hertz, Avis, and National rates are "within $1 per day of one another," he discloses, with the average employee rental-fee totaling $50 to $60 (that's for about two days). Allied does "between $2 million and $3 million" annually with each of the Big Three, Pughe adds.

"What we do is review and renew our agreements on a yearly basis," the Allied executive says. "If at times we find we're not getting good service from one of the rental companies, we'll yell about it. We'll say, 'Hey, here are some experiences that weren't too good.'

"In general, though, we find that all three companies service their accounts very well."

BASIS FOR CAR RENTAL COMPANY AGREEMENTS WITH CORPORATE ACCOUNTS

Car Rental Co.	Number of Locations Served	Number of States Served	Negotiate Corporate Rates
Ajax	106	30	Negotiate with companies individually
Alamo	42	12	Fixed Rate Corporate Program Range from $19/day for Economy Car to $29/day for a Luxury Car Does Not Negotiate Individually
American International	240	39	Negotiate with Companies Individually Based on Volume Per Year
Avis	2500	50	Negotiate with Companies Individually
Budget	1100	50	Negotiate with Companies Individually Based on volume
General	23	7	Does Not Negotiate Individually
Hertz	1800	na	Negotiate with Companies Individually Based on volume
Holiday Payless	187	40	Fixed Rate Corporate Program $25 Economy, $27 Compact, $29 Intermediate, $31 Full Size Negotiate with Companies Individually
National	1100	na	Negotiate with Companies Individually Based on Volume
Tropical	40	8	Fixed Rate Corporate Program Negotiate with Companies Individually

Note: na = not available

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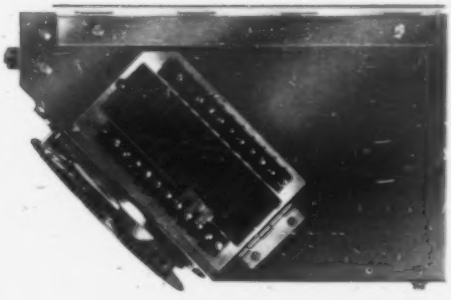

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No Single Company Has a 15 Percent Share in Europe

The Competitive International Daily-Rental Market

Any attempt to properly identify the Canadian rental market is limited by "the eye of the beholder," since the Ministry of Transport limits its reporting to the eight major airports across the provinces. Some industry analysts estimate that all airports record a 60 percent share of the total rental business, with off-airport and local accounting for the other 40 percent. Total revenues reportedly exceed $200 million.

Unlike the domestic rental market, the leading companies in Europe do not dominate with the large market shares so evident in America. No single rental company has as much as 15 percent market share, and beyond the five leaders, the "others" account for nearly half of total sales volume and revenues.

An *Automotive Fleet* research survey of the leaders indicates that there was an increase in rentals of about four percent in '84, with the major portion accounted for by U.S. tourists taking advantage of the record-high strength of the American dollar. European domestic rental usage remains at a stable level.

Research also indicates that among the leaders, there exists a very competitive battle for "Number One" in the combined areas of Europe, the Middle East, and Africa, with less than a few percentage points separating the top three companies: Avis, Europcar, and Hertz. Avis appears to be the undisputed leader in Africa, and Europcar enjoys a dominant share of the market in the Middle East. Interestingly, Hertz is virtually absent in the Middle East with the exception of Israel.

In Western Europe, individual country leadership for the top market share and Number One rank is as follows: Hertz is Number One in the Netherlands, Switzerland, Austria, and Luxembourg. Avis is Number One in Belgium, Italy, Portugal, Spain, and Norway. And Europcar is Number One in

THE CANADIAN RENTAL MARKET

Readers can compare how the Canadian market more closely resembles U.S. leader-strength vs. diverse European figures.

Company	On-Airport Share/Market	Revenue	No. Cars
Budget	40%		12,500
Tilden (National)	24%		10,000
Avis	17%		7,000
Hertz	14%		5,500
All Others	5%		3,000
Total	**100%**	**$130 million**	**38,000**
Off-Airport		$75 million	27,000
Total All Rentals		**$205 million**	**65,000**

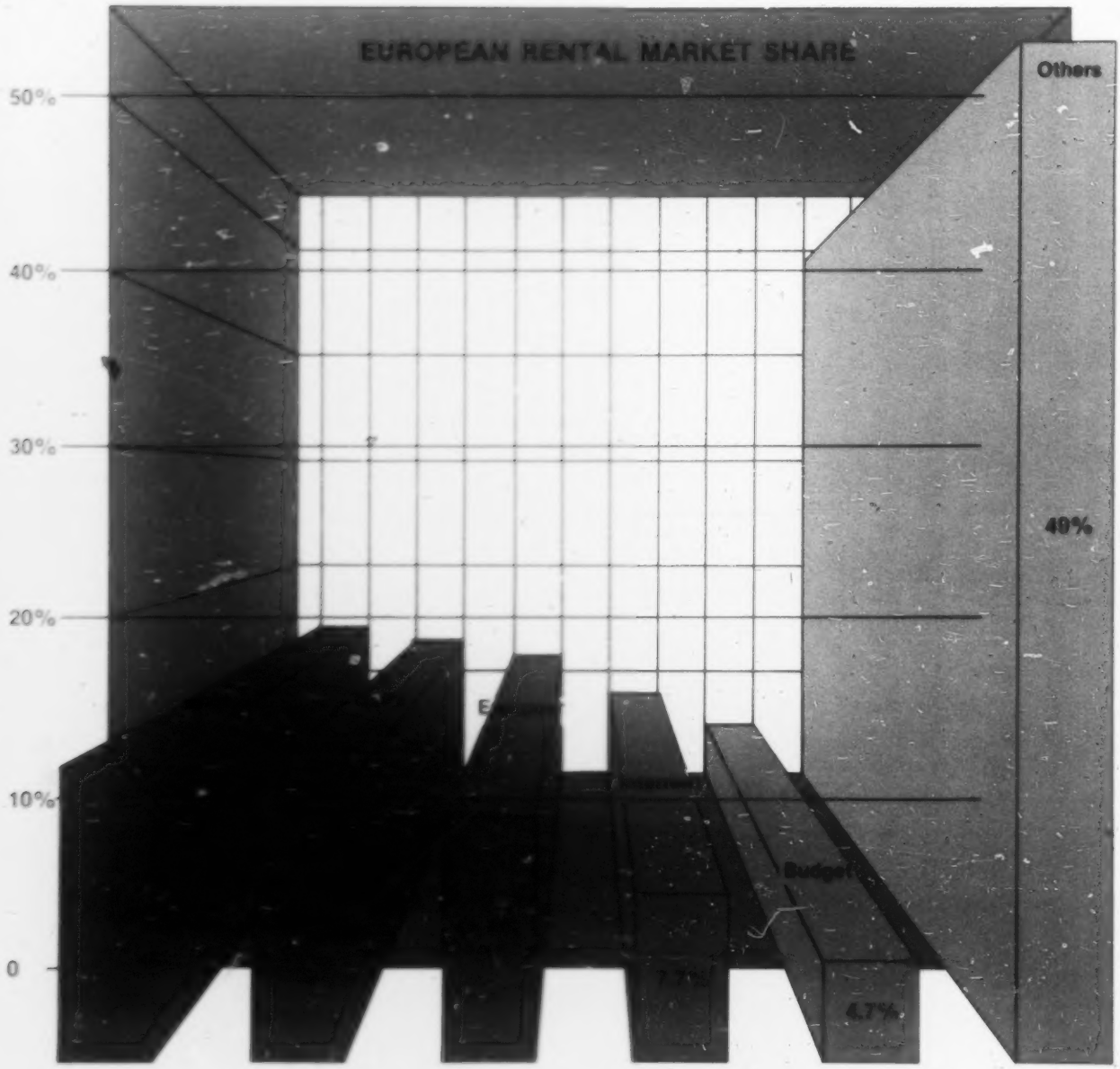
Source: Canadian Automotive Fleet *magazine estimate.*

". . .the proliferation in Europe of buybacks. . ."

France, the United Kingdom, Ireland, Sweden, and Finland.

Budget appears to be increasing market share but traditionally runs fourth or fifth in these markets. And not surprisingly, except for Switzerland and Norway, the "other" rental companies combined still dominate the overall rental market.

A distinct and notable difference between the European and U.S. rental markets is the proliferation among the European rental companies of buybacks in the acquisition/disposal area, providing ensurance for budgetable costs over the car's period of use. AF



Based on the 13 western European countries for 1984 with an estimated universe of 15 million rentals for the year.

Europcar - Owned by Renault, operating agreement with National Car
Interrent - Owned by VW; operating agreement with Dollar

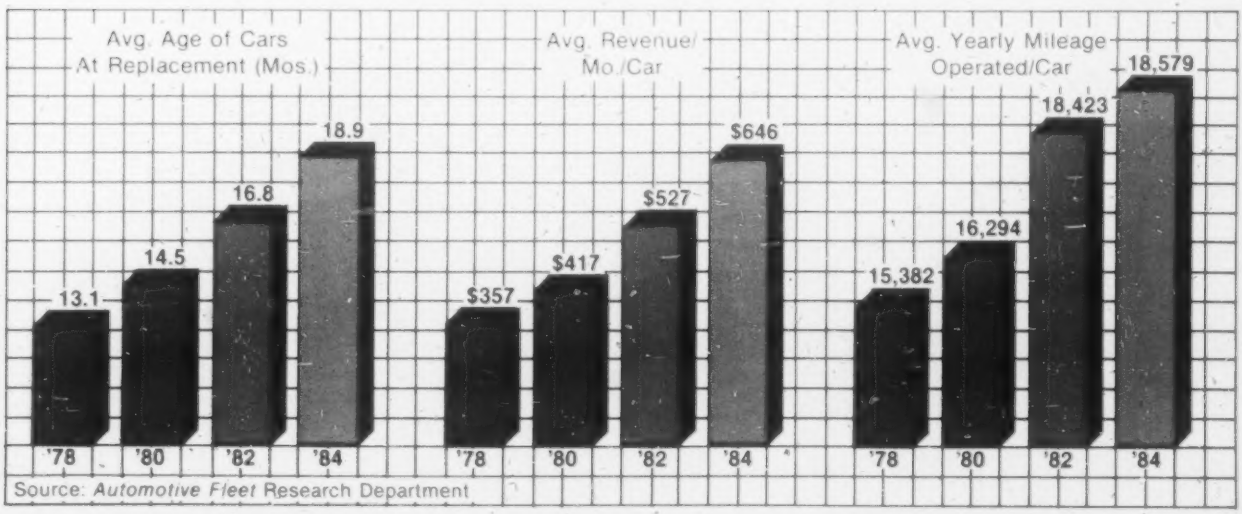
Source: Automotive Fleet *research department*

U.S. DAILY-RENTAL MARKET PROFILE

Rank	Company	Number U.S. Cars	Percent On-Airport Market Share '83	'84	Estimated '84 Revenue
1.	Hertz	140,000	34%	33%	$900 million
2.	Avis	110,000	25	24	600 million
3.	National	100,000	19	20	550 million
4.	Budget	95,000	17	17	500 million
5.	Dollar	38,000	3	4	300 million
	Other On-Airport	32,000	2	2	100 million
	Total On-Airport	**515,000**	**100%**	**100%**	**2.95 billion**

Off-Airport Summary

FALS (Ford Dealers)	37,000		—
GM Dealers (not org.)	30,000		—
Enterprise	23,000		—
American International	20,000		—
Thrifty	20,000		—
Alamo	20,000		—
Agency Auto	18,000		—
Jiffy	18,000		—
DRAC (Chrysler Dealers)	18,000		—
Snappy	15,000		—
Ajax	15,000		—
Value	15,000		—
All Others	21,000		—
Total Off-Airport	**270,000**	**Total Off-Airport Revenue**	**$950 million**
TOTAL RENTAL MARKET	**785,000**		**$3.9 billion**



Survey Finds Increase in Personal-Use Charges Reported As Income

A total of 401 fleets, operating 264,905 passenger cars, participated in NAFA's annual Personal Use Survey. Among the responses are 307 from commercial fleets in the United States, 21 public utility fleets, and 32 government fleets. The Canadian section of the survey consists of 47 fleets.

Although this survey is known as the Personal Use Survey, it actually contains information on four specific fleet management areas: 1) personal use of company-provided vehicles; 2) criteria for assignment of company cars; 3) reimbursement for use of personally owned cars for business, and 4) compensation or sale of cars to employees who no longer qualify for a company-provided vehicle. Each of the four subjects is covered within the individual industry grouping.

Survey Highlights

- Nearly eight out of ten U.S. fleets reimburse drivers 20 or 20.5 cents a mile for business use of personal cars.
- One out of three U.S. fleets now charge more than 15 cents a mile for personal use of the company car.
- For the first time, more companies use a flat rate for a personal use chargeback than a straight mileage rate.
- More fleets than ever are now adding the personal use charge to the employee's income tax form as additional income.

NAFA breaks the responses down into seven categories: Drug and Cosmetics, Chemical and Petroleum, Food and Beverage, Insurance, Manufacturing-Consumer, Manufacturing-Industrial, and Miscellaneous. *Automotive Fleet* selected three of the above

SUMMARY OF SURVEY RESPONSES

Industry Group	Number of Fleets	Company-Owned Cars	Leased Cars	Total
Food & Beverage	38	10,999	10,812	21,811
Manufacturing-Consumer	40	6,389	13,753	20,142
Insurance	59	19,783	17,017	36,800
Chemical & Petroleum	33	17,233	11,080	28,313
Drug & Cosmetics	42	2,573	29,719	32,292
Manufacturing-Industrial	63	14,283	44,342	58,625
Other	32	2,604	9,318	11,922
U.S. Commercial Total	307	73,864	136,041	209,905
Public Utility	21	22,620	569	23,189
Government	32	18,764	204	18,968
Canada	47	4,900	7,731	12,631
Total	407	120,148	144,545	264,693

". . .charging drivers for off-hours accidents."

categories: Insurance, Manufacturing-Consumer, and Manufacturing-Industrial.

Insurance Group

The Insurance Group consists of 59 fleets operating 36,800 passenger cars (19,783 company-owned, 17,017 leased). Fleets in the group report that personal use accounts for 20 percent of the total mileage their cars are driven.

1. Personal Use Policies

Fifty-eight of the 59 fleets in the Insurance Group permit personal use of the company-provided car. One fleet limits the use to "commuting," two fleet ban its use on weekends and holidays, and four fleets do not permit the company car to be driven on vacations.

Ten fleets in the group place some limitations on the amount of personal use permitted. Some of the specific limitations mentioned include "cannot exceed 49 percent of the total mileage;" "6,500 miles a year;" "10 percent of business mileage;" "reasonable (in our judgment);" "commuting miles only;" "1,000 a month;" "1,000 miles when on vacation," and "50 mile radius of their home."

Two fleets in the group do not charge for personal use, the other 56 that permit personal use do have a chargeback system. Twenty fleets use a straight mileage charge. Three fleets each charge 14 and 20.5 cents a mile. Two fleets each charge 15 and 16 cents a mile, while one fleet charges 9, 10, 11, 12, 12.5, 13, 17, and 20 cents a mile.

Among the fleets with a flat rate, five fleets charge $50 a month; three charge $30 a month. Other monthly charges (by one fleet each) include $35, $37.50, $39, $40, $45, $55, $60, $75. One fleet's charge ranges from $40 to $60 a month depending on size of car, while another's charge ranges from $85 to $200 a month. Weekly charges (again by one fleet each) are $12 a week and $20 a week. One fleet charges $520 a year, while another's charge is "25 percent of the total car cost."

Fifteen fleets in the Insurance Group use a combination chargeback system. These chargebacks include six cents a mile and $15 a month; $10 a week and 15 cents a mile over 6,500 miles a year; nine cents a mile with $650 added to the employee's W-2 form; $684 implied annual income added to W-2; nine cents a mile over 600 miles a month plus $650 added to W-2; nine cents a mile plus $30 a month; 15 cents a mile and $60 a month; $50 a month plus 12 cents a mile over 600 miles a month; $39 a month plus 13 cents a mile over 300 miles a month; $15 a month plus five cents a mile; $43.25 a month plus 10 cents per mile for trips over 200 miles; 10 cents a mile and $20 a month, $19 a month and 15 cents a mile, and $42 a month plus 14 cents a mile.

Twenty-eight fleets in the Insurance Group collect for personal use by means of an expense report deduction; 17 use a salary deduction, while 11 use other methods of collecting the chargeback. In most of these fleets the personal use chargeback was added to the employee's W-2 form as additional income. In one fleet the employee pays for personal use by a check to the company.

Sixteen fleets said they increased their personal use chargeback in 1984, the majority of them staying within their current system, but increasing the amount. However, one fleet switched from a flat rate to 20.5 cents/mile, while another went from a mileage charge to a flat rate.

In four fleets personal use is restricted to the employee only; in the other 54 fleets permitting personal use both the employee and spouse can use the company car. Twenty-four fleets permit licensed children to drive, and six extend the driving privilege to "others" in the same household.

Minimum age requirements for driving the company car are set by 11 fleets. Two fleets each set the minimum age at 18, 21, and 25 years. One fleet each has a minimum age of 20 and 26.

Twenty-two fleets in the Insurance Group charge the employee for repair costs resulting from an accident occuring during personal use. One fleet charges the full amount; 11 have dollar payment ranging from a low of $50 to a high of $300. The most frequently mentioned figure is $100. Ten fleets assess the "insurance deductible" as the charge. This ranges from a low of $100 to a high of $250.

Thirty fleets say they "charge" the employee with an accident if another person was driving the car when the accident occurred; 27 do not enter such a charge on the employee's record.

2. Car Assignment

Thirty fleets in the group cite "job title" as the major factor in assigning company cars; 25 say they use mileage driven, while nine fleets say the "fringe benefit" of the car is a factor in its assignment to an employee.

Reimbursement For Use Of Personal Car
Mileage Only
(Assigned Fleet Car Not in Service)
U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983	1984
15¢ or less	4%	3%	5%	2%	1%
16, 17, 18, 19¢	43%	15%	13%	9%	8%
20¢	43%	66%	68%	73%	56%
20½¢	*	*	*	*	23%
21, 22, 23, 24¢	11%	17%	11%	14%	9%
25¢ or more	*	*	3%	3%	3%

Note: *Not broken out in surveys for those years but included in more than 20 cents a mile" total.

Among the fleets using mileage as a criterion for assigning a company car, eight say the minimum requirement is 12,000 business miles a year. Six fleets set the minimum at 15,000 miles, while three fleets each use 10,000 and 18,000 miles. Other mileage requirements mentioned include (each by one fleet) 6,000 miles, 7,500, 8,000, 8,500, and 22,000 miles a year.

3. Business Use of Personal Car

In reimbursing an employee for business use of a personal car (when there is no assigned company car) most fleets use a straight-mileage payment. In 24 fleets the rate is 20 cents a mile. Eight fleets pay 20.5 cents a mile; two pay the employee 23 cents a mile. Other reimbursement rates include (by one fleet each) 17 cents, 17 cents plus gas, 18, 18.5, 19, 21.5, and 22 cents a mile.

Reimbursement For Use Of Personal Car
Mileage Only
(No Assigned Fleet Car)
U.S. Commercial Fleets Only

Amount	1980	1981	1982	1983	1984
15¢ or less	3%	1%	2%	2%	1%
16, 17, 18, 19¢	43%	13%	15%	11%	10%
20¢	43%	68%	69%	72%	56%
20½¢	*	*	*	*	22%
21, 22, 23, 24¢	11%	17%	10%	12%	10%
25¢ or more	**	**	4%	3%	1%

Notes: *Not broken out in surveys for those years but included in "20 cents a mile" figure.

**Not broken out previously, but included in the "more than 20 cents a mile" percentage.

Five fleets reimburse the employee on a sliding scale: 20.5 cents a mile for the first 15,000 miles, then 11 cents a mile; 22 cents a mile for the first 7,000 miles, then 18 cents a mile; 24 cents for the first 10,000 miles, 19 cents for the next 5,000, then 16 cents a mile for any additional mileage; 24 cents for 1,000 miles, then nine cents for additional driving; and 16 cents for the first 700 miles in a month, plus 10 cents a mile for the balance.

Two fleets reimburse the driver of a personal car on a combination basis. In one fleet the rate is $22 a week plus 20 cents a mile; in the other fleet it is nine cents a mile plus $25 a month.

In reimbursing an employee for business use of a personal car when an assigned fleet car is not in operation, every fleet uses a straight mileage method of payment. In 24 fleets the rate is 20 cents a mile; in 11 fleets the rate is 20.5 cents, while in two fleets each the rate is 18 and 18.5 cents a mile. One fleet each reimburses the employee at these rates: 16 cents a mile, 17, 19, 21, 21.5, 22, 23, and 26 cents a mile.

4. Compensation for Loss of Car

Twenty-one fleets in the Insurance Group make a one-time cash payment to compensate an employee for loss of eligibility for a company-assigned car. In six fleets the payment is $1,500; four fleets pay $2,000; two fleets each pay $1,600; $1,800; and $2,500. One fleet each pays the employee $1,000, $1,200 and $7,500. One fleet gives the employee $2,000 when the car is re-assigned and another $1,000 a year later if the employee is still working for the company. The payment by another company is two-thirds of a month's salary.

One fleet permits the employee to keep the car until its scheduled replacement; then offers to sell it with a three-year interest-free loan. Another company offers the employee three options: continue using the car for six months; lease the car at the company's current rate for a year; or get a cash bonus.

Thirteen fleets offer to sell the car to the employee. The price at which the company will sell the car includes: in four fleets, AMR; in three fleets, the wholesale value; in two fleets each, AMR less 15 percent and "book value." Other prices are Blue Book less $200; half of market value; 90 percent of AMR less mileage; NADA wholesale; or AMR or book value, whichever is higher.

Manufacturing-Consumer Group

The Manufacturing-Consumer Group consists of 40 fleets operating 20,142 passenger cars (6,389 company-owned, 13,753 leased). Personal use amounts to 18 percent of the total mileage driven by these fleets.

1. Personal Use Policies

Every fleet in the group permits personal use of the company provided car after working hours, on weekends and holidays, and for vacation travel.

Four fleets place some limitations on personal use. They include 600 free miles for vacation travel and then a 10-cent-a-mile charge; 200 miles a month; use only within a 350-mile radius of the division point. One fleet says personal use must be "reasonable."

Thirty-two of the 40 fleets in the group charge for the personal use of the company car. Ten fleets have a personal mileage charge; 18 have a flat weekly or monthly charge, while one uses a combination of both methods. The mileage charges in two fleets each are 10 and 11 cents a mile. One fleet each charges 12, 13, 14, 20, and 20.5 cents a mile. Another fleet that charges 20 cents a mile deducts 13 cents from the employee's expense account and adds seven cents a mile to his W-2 form as additional income. The one fleet using a combination charge sets it at 10 cents a mile plus $21 a month.

Among the fleets with a flat chargeback rate, three each charge $30 and $40 a month. Two fleets charge $45 a month. Other monthly charges include (in one fleet each): $20, $25, $33, $50, and $150 a

month. Weekly charges (in one fleet each) are: $3, $10, $11, and $11.50.

Four fleets reported they increased their personal use chargebacks in 1984; a number of others said they plan to raise them in 1985.

Of the 32 fleets that charge for personal use, 15 collect the chargeback through an expense report deduction; 12 collect it through a salary deduction; while five use other methods. Four of these five fleets add the personal use chargeback to the employee's income on the W-2 form at the end of the year; the fifth fleet requires the employee to pay for such use by personal check.

Four fleets in the Manufacturing-Consumer group permit only the employee to drive the company car. The other 36 fleets permit both the employee and spouse to use the car, while 19 extend the driving privilege to children of the employee. Four fleets permit personal use by "others" in the same household.

Nineteen fleets have a minimum age requirement for use of the company car. In seven fleets the minimum age is 21; in four fleets each it is 18 and 25 years. One fleet only requires the driver to be licensed and in another the minimum age is set at 16.

A portion of the repair costs resulting from accidents that occur during personal use is borne by the employee in 13 fleets. Four of them have a fixed dollar amount ranging from a low of $50 to a high of $350. In nine fleets the employee's share of the repair costs is the "insurance deductible" which ranges from a low of $100 to a high of $500, with $250 being the most commonly cited amount charged to the employee.

2. Car Assignment

In response to the question "what factors govern the assignment of company cars," 11 fleets said "mileage driven;" 29 said 'job title," while 10 mentioned "fringe benefit." The number of responses is higher than the number of fleets in the group because several fleets indicated that more than one factor is considered.

Of the 11 fleets citing mileage driven, three set the minimum business miles at 15,000 a year, while two each say it is 10,000, 18,000, and 20,000 miles. In one fleet the requirement is 16,900 miles a year, while in the other it is 30,000 business miles.

3. Business Use of Personal Cars

There are two situations that may exist in reimbursing employees for business use of a personal car—no assigned company car, or the assigned car is not in operation.

When there is no assigned company car, 29 fleets in the Manufacturer-Consumer Group reimburse the employee for use of the personal car on a straight mileage basis. Fifteen fleets pay 20 cents a mile; six pay 20.5 cents a mile. Two fleets pay the employee 22.5 cents a mile, while one each reimburses at the rate of 15, 18, 22, 32, and 33 cents a mile.

Three fleets in the group reimburse the employee on a cash payment and mileage basis. One fleet each pays 10 cents a mile and $155 a month; 12.5 cents plus $330 a month; 14 cents a mile and $240 a month. One fleet pays a flat rate of $350 a month.

When an employee is required to use a personal car because the company car is not operating, 20 fleets reimburse the employee at 20 cents a mile; five pay 20.5 cents a mile. Other rates are (in one fleet each): 10 cents, 18, 19, 22, 22.5, 24, 25, and 33 cents a mile.

One fleet pays the employee 32 cents a mile for the first 900 miles driven, then 18 cents for the remaining mileage. Another fleet pays 14 cents a mile plus $250 a month.

4. Compensation for Loss of Car

When an employee is no longer eligible for a company car, four fleets in the Manufacturing-Consumer Group make one-time cash payment as reimbursement for loss of the car. The payments are $2,000, $3,000, $4,500, and $5,500.

Six fleets in the group offer to sell the car the employee is driving. Two will sell it at "fair market value," while one each set the price at 75 percent of wholesale, book value, 90 percent of AMR, and wholesale, In addition, one fleets says it allows the employee to keep the car for six months to a year, while one other fleet says the "employee can keep the car."

Manufacturing-Industrial Group

The Manufacturing-Industrial Group consists of 63 fleets operating 58,625 passenger cars (14,283 company-owned, 44,342 leased). According to the participating fleets, personal use accounts for 18 percent of the total mileage driven in a year.

1. Personal Use Policies

Sixty-two of the 63 fleets in the group permit personal use of the company-provided car after working hours, on weekends and holidays. Two fleets do not permit personal use for vacation travel.

Seven fleets place specific limitations on personal use. In two fleets the limit is 20 percent of the total mileage driven; in another fleet personal use must be less than 50 percent of total use. Three of the fleets limit use on vacations; the limits are 300, 1,000, and 2,500 miles.

Seven fleets in the group do not charge for personal use; 56 do require a chargeback. Twenty fleets use a straight mileage charge; 26 have a flat weekly or monthly use charge, while eight have a combination of mileage and flat rate chargeback policy.

Among the fleets with a mileage charge; three each set it at 10, 12, and 14 cents a mile. Two fleets charge 11 cents a mile, while one fleet each has these charges: 8,9, 13, 18, 18.5, and 20.5 cents a mile. One fleet charges 8, 10, or 12 cents a mile depending on size of car driven.

Among the fleets with a mileage charge, three each set it at 10, 12, and 14 cents a mile. Two fleets charge 11 cents a mile, while one fleet each has these charges: 8,9, 13, 18, 18.5, and 20.5 cents a mile. One fleet charges 8, 10, or 12 cents a mile depending on size of car driven.

Five of the fleets with a monthly flat rate charge $35 a month; three fleets each charge $25, $30, $40,

and $59 a month. Other monthly charges (each by one fleet) are $5, $12, $13, and $18. One fleet charges $570 a year for personal use of the company car.

Eight fleets employ a combination of mileage and flat rate for personal use chargeback. They are (each by one fleet): five cents a mile with a $50 minimum per month, or one-half of one percent of the car's capitalized cost; fuel plus $50 a month; 10 cents a mile and $25 a month; 17 cents a mile and either $45 or $55 a month; seven cents a mile plus $55 a month for vacations; 14 cents a mile over 1,000 a month plus $115 a month; eight cents a mile and $34 a month; and $40 a month plus three cents a mile for each cylinder in the car's engine.

Twenty-seven fleets in the group collect the personal use chargeback through an expense report deduction; twenty-one have a salary deduction program; while six add the personal use charge to the employee's W-2 form as additional income.

Two fleets restrict personal use to the employee alone; the remaining 60 fleets permitting personal use say both the employee and spouse can drive the company car. In addition, 30 fleets permit licensed children to use the car, and four fleets extend the driving privilege to "others" living in the same household as the employee.

Thirty-three fleets have a minimum age requirement before personal use is permitted. In 12 fleets it is 21 years of age; in nine fleets each it is 18 and 25. One fleet each has a minimum age of 21 for females and 25 for males.

In 28 fleets some portion of the repair cost resulting from an accident during personal use is charged to the employee. One fleet charges the full amount; 12 have a specific dollar amount that ranges from a low of $100 to a high of $1,000, with $100 and $250 being the most frequent. Fourteen fleets charge the "insurance deductible" to the operator. The range in this category is from a low of $50 to a high of $1,000; $250 is the most often cited figure.

Thirty-three fleets charge the employee with an accident if another person was driving the company car when the accident occurred.

2. Car Assignment

In responding to the question, "What factors govern assignment of a company-provided car?" 27 fleets report business mileage as the dominant factor; 52 said it is "job title;" while 12 cite "fringe benefit." One fleet says economic justification determines car assignment, while another requires a minimum of one year on the job. There are more responses than participating fleets because of multiple answers by a number of fleet managers.

Among the fleets citing business mileage, 10 use 15,000 miles a year as a criterion; six set the level at 10,000 miles a year. In three fleets

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the minimum is 18,000, while in two fleets it is 12,000 miles. One fleet each sets the minimum requirement at 6,000 miles a year, 13,000, 14,000, 17,000, 20,000, and 22,000 business miles a year.

3. Business Use of Personal Cars

In reimbursing an employee for the business use of a personal car when there is no assigned company car, 28 fleets pay the employee 20 cents a mile. Seven fleets pay 20.5 cents a mile; four pay 21 cents. One fleet each pays 17, 18, 22, and 32 cents a mile for such use.

Seven fleets employ a mileage rate and fixed payment scale to reimburse the employee. The rates are (in one fleet each): nine cents a mile and $55 a week; nine and a half cents a mile plus $325 a month; 10 cents a mile and $175 a month; eight cents a mile and $180 a month; 20 cents a mile and $325 a month; eight and a half cents a mile and $270 a month; and 10 cents a mile plus $200 a month. Two fleets reimburse the driver on a graduated or sliding mileage scale. The rates are 20 cents a mile for the first 1,500 miles a month, then 11 cents a mile, and 21 cents a mile for the first 1,250 miles, then 10 cents a mile.

When an assigned fleet car is not in service, every fleet but one reimburses the employee for use of a personal car on a straight mileage basis. In 36 fleets the rate is 20 cents a mile; in nine fleets it is 20.5 cents a mile; four fleets pay 21 cents. One fleet each pays 9.5, 17, 18, 18.5, 22, and 22.5 cents a mile. The one fleet with a sliding scale pays the employee 20 cents a mile for the first 1,250 miles, then ten cents a mile thereafter.

4) Compensation for Loss of Car

Only three fleets in the Manufacturing-Industrial Group make one-time cash payment to an employee who, because of transfer or reassignment, is no longer eligible for a company car. One company will pay the value of the car or buy it and give it to the employee; another makes a payment equal to one-third the value of the car; while the third makes an allowance for use of public transportation. In New York and Chicago the allowance is $250 a month.

However, 24 fleets are willing to sell the company car to an employee who is no longer eligible for car assignment. Five fleets set the price at "wholesale value;" four sell it at "book value." AMR is the pricing guide in a number of fleets—in two the AMR quote is the price charged; another says "AMR clean," also mentioned are "discounted AMR," "85 percent of AMR fair," "at AMR if car is surplus." In addition to those fleets that sell the car at wholesale, others mention these: "below wholesale," "wholesale less $200," and "90 percent of wholesale." Other prices asked include "buy out price from leasing company," "depreciated value," and in two fleets "fair market value."

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Used Cars

The following are average car prices for the period ending February 8, 1985. Prices are based on wholesale activity at major dealer auctions across the country. They are divided into three zones as indicated on the accompanying map. These averages are calculated electronically on IBM machines. They are based on clean cars only. Proper allowance should be made for upgrading sharp cars and proper deduction taken for fair cars. Automatic transmissions have been included in the averages of all models. This information is published in *Automotive Fleet* by special permission of Automotive Market Report.

Model	Zone 1	Zone 2	Zone3
83 AMC CONCORD			
Sdn	4392	4434	4350
Sta Wgn	4697	4685	4691
82 AMC CONCORD			
Sdn 6-4 Dr	3452	3469	3418
Sta Wgn	3634	3670	3586
82 BUICK SKYLARK			
Sdn Custom	4079	5030	4936
82 BUICK SKYLARK			
Sdn	4117	4101	4077
83 BUICK REGAL			
Sdn	6397	6491	6332
Cpe	6575	6641	6511
82 BUICK REGAL			
Turbo Cpe	5794	5812	5696
Cpe	5674	5629	5519
83 BUICK LESABRE			
Sdn Custom	7520	7586	[illegible]
82 BUICK LESABRE			
Sdn Custom	6164	6236	6102
83 CADILLAC			
Cpe DeVille	11187	11300	11076
Sdn DeVille	11121	11232	11009
82 CADILLAC			
Cpe DeVille	9153	9241	9069
Sdn DeVille	9094	9184	9004
83 CHEVY			
Chvt Htchbk 2-Dr	3344	3377	3309
Chvt Htchbk 4-Dr	3418	3453	3383
Camaro Cpe 8	7052	7125	6985
82 CHEVY			
Chvt Htchbk 2-Dr	2704	2732	2677
Chvt Htchbk 4-Dr	2765	2792	2737
Camaro Cpe 8	6064	6115	5963
83 CHEVY CELEBRITY			
Sdn	5629	5699	5770
82 CHEVY CELEBRITY			
Sdn	4841	4886	4792
83 CHEVY CAVALIER			
Sdn	4875	4834	4826
82 CHEVY CAVALIER			
Sdn	4007	4047	3968
83 CHEVY CITATION			
Cpe 6	4169	4201	4117
82 CHEVY CITATION			
Cpe 6	3168	3196	3134
83 CHEVY MALIBU			
Clas Sdn	5797	5813	5700
Clas Sta Wgn	5992	6062	5932
82 CHEVY MALIBU			
Clas Sdn	4733	4790	4685
Clas Sta Wag	4939	4987	4888
83 CHEVY MONTE CARLO			
Cpe	6439	6504	6376
82 CHEVY MONTE CARLO			
Cpe	5330	5403	5294
83 CHEVY IMPALA			
Sdn	6380	6443	6317
82 CHEVY IMPALA			
Sdn	5139	5190	5089
Wgn 9	5339	5392	5285
83 CHEVY CAPRICE			
Sdn	6964	7034	6894
Sta Wag	7205	7276	7131
83 CHRYSLER			
E-Class Sdn	6213	6274	6151
82 CHRYSLER			
New Yorker Sdn	7639	7717	7563
83 DODGE OMNI			
4 Dr Cust	3939	3977	3900
82 DODGE OMNI			
4 Dr Cust	3055	3086	3023
83 DODGE ARIES			
Cpe	4655	4702	4610
82 DODGE ARIES			
Sdn	3831	3868	3586
83 DODGE DIPLOMAT			
Sln Sdn	5339	5392	5286
82 DODGE DIPLOMAT			
Sln Sdn	4265	4308	4223
83 FORD FAIRMONT			
Future 6-Cyl Sdn 4 Dr	4412	4455	4369
82 FORD FAIRMONT			
Future Sdn 4-Dr	3486	3531	3461
83 FORD MUSTANG			
L-Cpe 4	4875	4923	482o
82 FORD MUSTANG			
L-Cpe 4	3921	3962	3882
82 FORD GRANADA			
Sdn 6-L	4119	4163	4076
83 FORD LTD			
Sdn	5589	5646	5532
82 FORD LTD			
Sdn	5397	5451	5342
82 FORD ESCORT			
Sdn 4 Dr	2935	2964	2904
83 FORD CROWN VIC			
Sdn	7960	8031	7870
82 FORD CROWN VIC			
Sdn	6312	6378	6250
83 FORD THUNDERBIRD			
Cpe	6792	6862	6726
82 FORD THUNDERBIRD			
Cpe	5377	5430	5323
83 LINCOLN CONTINENTAL			
Sdn	13182	13314	13050
Mark VI Cpe	13319	13451	13186
82 LINCOLN CONTINENTAL			
Sdn	10904	11013	10794
Mark VI Cpe	11038	11150	10931
83 MERCURY COUGAR			
Cpe	6915	6984	6847
82 MERCURY COUGAR			
GS Cpe	4161	4201	4117
Sdn	4161	4201	4117
82 MERCURY ZEPHYR			
Sdn 4 Dr	3548	3579	3609
83 MERCURY LYNX			
Htchbk 2-Dr	3801	3840	3764
83 MERCURY MARQUIS			
Sdn	5658	5714	5603
82 MERCURY MARQUIS			
Sdn	5096	5183	5638
Wgn-25	5873	5931	5812
83 OLDS CIERA LS			
Cpe	6190	6251	6128
Sdn	6271	6333	6207
83 OLDS CUTLASS SUPREME			
Cpe	6854	6731	6597
Sdn	6478	6546	6415
82 OLDS CUTLASS SUPREME			
Sdn	5420	5476	5366
Cpe	5634	5691	5577
83 OLDS DELTA			
Sdn	7233	7304	7161
82 PLYMOUTH HORIZON			
4 Dr Htchbk	2814	2842	2785
83 PLYMOUTH RELIANT			
Cpe	4666	4715	4620
82 PLYMOUTH RELIANT			
Cpe	3620	3656	3584
82 PONTIAC FIREBIRD			
Cpe 8	6101	6160	6039
82 PONTIAC BONNEVILLE			
Sdn 6	5201	5253	5148
83 PONTIAC PHOENIX			
Cpe	4492	4538	4450
Htchbk Sdn	4492	4538	4450
82 PONTIAC PHOENIX			
Cpe 6	3695	3731	3667
83 VOLKSWAGEN RABBIT			
2 Dr Htchbk	4518	4563	4473
82 VOLKSWAGEN RABBIT			
2 Dr Htchbk	3497	3532	3462
83 DATSUN			
Sentra 2 Dr Std Sdn	4047	4087	4007
Stanza Hbk 4 Dr Dix	5915	5570	5460
82 DATSUN			
210 Std 2 Dr	3095	3126	3064
Sentra 2 Dr	3394	3426	3360
Stanza Hbk 4 Dr Dix	4437	4481	4393
83 TOYOTA			
Corolla Sedan 2 Dr	4870	4918	4821
Celica St	6792	6860	6724
Camry	7791	7869	7713
82 TOYOTA			
Corolla 2 Dr Sdn	4040	4080	4000
Celica St Cpe	5516	5571	5461
Corona Sdn Lux	5549	5604	5494